57-0298

28 January 1957

MEMORANDUM FOR: Director of Central Intelligence

THROUGH

: Deputy Director (Support)

SUBJECT

: Status of Audit Program for Calendar Year 1956

#### GENERAL

- 1. During the calendar year 1956 the Audit Staff continued to expand and improve the sudit coverage of Agency funds and property. All financial accounts have been audited, except a few property financial accounts, and much progress has been made in the audit coverage of property. These audits indicated continued improvement in the accounting for Agency assets. Deficiencies were still noted, primarily with respect to property records and control; however, steps are being taken by the responsible components to overcome these deficiencies.
- 2. For the past few years the audit program has been in a transition stage, moving gradually from more or less detail mudits of accounts and property to broad comprehensive type sudits designed to increase the overall efficiency of Agency financial operations. Improvements made by the Office of the Comptroller and Office of Logistics in accounting for assets and in internal control over property will permit the Audit Staff to further broaden its program in 1957 to place more emphasis on financial, accounting, budgetary, and property procedures and practices.
- 3. The weakest facet of our whole fund accounting program deals with the procedure for advances to agents. Receipts from agents cannot be verified as to their authenticity, except by the statement of the case officer making the contact that he could not get a receipt or that the receipt submitted by him is genuine. Protection of Agency assets in such matters depends mainly upon the honesty of our case officers and on the close supervision given their finance operations by their chief of station or by the chief of the Headquarters division interested in the project. The Comptroller in cooperation with the Chief, Audit Staff, is making a study of this phase of accounting in an effort to develop a sound, practicable accounting procedure.
- 4. Existing procedures provide for a report of sudit to be made by the Audit Staff to all interested parties for their information and correction of any irregularities noted and prompt action is being taken on reports







made. Audits of overseas stations are reported to the chief of such stations with copies of the report being furnished the Chief, Audit Staff, (Headquarters) for review and submission to the Deputy Director (Plans) and other interested Headquarters units. Similar action is taken on reports of audits originating with the Headquarters Audit Division and on reports submitted by public accountants and reviewed by such division.

5. The Chief, Audit Staff, and the various chief auditors overseas are receiving full cooperation from all Agency personnel in performing their mudit function.

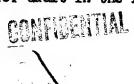
#### AUDIT ORGANIZATION

- 6. No change was made in 1956 in the basic organization of the Audit Staff, consisting of the Office of the Chief, the Headquarters Audit Division, and three field sudit units. However, in order to strengthen the overall administration of the audit program and to assure its independence, the personnel in the field audit units were transferred from the respective area Tables of Organization to the Audit Staff Table of Organization, and an Assistant for the Chief, Audit Staff, was appointed.
- 7. All overseas areas are served by field mudit units except the WH area. It was planned originally to establish a field unit in January 1957; however, this had to be deferred because of the nervous breakdown of the auditor who was to open the office. It is planned to open the office later in the year as soon as staffing personnel is available.
- 8. Because of the keen competition for auditors from the GAO, Army Audit Agency, and civilian firms, it has not been possible to bring the onduty strength of the Audit Staff up to the ceiling of h8. Personnel are in process of clearance for the five vacancies existing at 31 December; however, based on previous experience, some of these applicants no doubt will take other positions prior to final clearance.

AUDIT ACCOMPLISHMENTS - HEADQUARTERS

## Proprietary Projects

- 9. The policy is to sudit and issue a report of sudit annually on each proprietary project. All such projects are audited by Agency auditors except when security or other reasons preclude, in which cases the audits are by public accountants.
- 10. All proprietary projects due for audit in 1956 were audited or were in process of audit at the end of the year, except for a few due for sudit in the last quarter of the year. Audits of proprietaries are usually made as of the end of the projects' fiscal years. Because of this, it happens that more projects come due for sudit in the last six months of a calendar



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year than in the first six months; consequently, it is usually necessary to carry a few sudits over at the end of the year. It is contemplated that the sudit of proprietary projects will be surrent by 30 June 1957.

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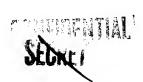


# Financial Accounts

Ih. The Audit Staff in 1956 completed a cycle encompassing the audit of all financial accounts except for a few of the financial property accounts. Because of the marked improvement in the condition of the accounts, and our increased knowledge of them, the audit program for 1957 will be streamlined considerably to eliminate some detail audit work done previously. The future policy will be to sudit the major accounts at least annually and to review other accounts only when, within the judgment of the Audit Staff, it appears necessary. This will enable the Audit Staff to spend more time on reviewing financial, accounting and budgetary procedures and making special surveys designed to increase the overall efficiency of Agency financial operations.

# Property

15. The policy has been to review property procedures and to audit property "in steek" and "in use" on an annual basis. In 1956 much was accomplished along these lines. However, because of the volume of property and property accounts, the condition of some of the property records, and limited sudit personnel available, it has not been possible to audit all property and property accounts on an annual basis.



- 16. During 1956 am Inspection and Inventory Staff was established in the Supply Division of the Office of Logistics. The mission of this newly-created staff includes (a) internal review of property procedures and regulations and their application, (b) supervision of inventory of "in stock" and "in use" property on a regulated schedule and the reconcilement of inventory results with accountable records, and (c) serving as technical advisors on problems relating to property accountability.
- 17. The establishment of this staff will permit the Audit Staff to gradually modify its scope of sudit to place more emphasis on the audit of property procedures and their application and less emphasis on the audit of the numerous individual property accounts. It is also anticipated that the Audit Staff can now direct attention to the Agency purchasing and contrasting procedures and practices.

## Industrial Contracts

18. The Audit Staff reviews the sudit reports, techniques and procedures of the Industrial Contracts Audit Branch and participates in decisions made concerning the limitation of audit of contracts.

### Other Audits

- 19. Audits were made in 1956 of the Northwest Federal Credit Union, Government Employees Health Association (GEHA), Executive Mining Room, and the Consolidated Charities Fund. Also, the bi-annual confirmation of credit union share and loan accounts was made.
- 20. The Chief. Audit Staff, also inspected eight contact stations and during 1956 and plans to visit others this spring.

### AUDIT ACCOMPLISHMENTS - OVERSEAS

21. The policy is to site sudit Class A stations semi-annually and to inspect Class B stations annually. In the areas served by the field audit units (all except WH area), all A stations were sudited at least once in 1956 and most stations twice. Steps have been taken to assure a semi-annual sudit of all A stations during the coming year. Class B stations were inspected except for those that due to size or security it was not considered advisable to visit. Stations in Africa and were inspected for the first time in 1956.

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22. In the WH area, stations in South America were visited by the Chief, Audit Staff, late in 1955 and those in Central America and early in 1956. As stated previously, plans are under way to set up a field mudit unit in that area in 1957.

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